Management & Operating (M&O) Contracts

What Is The Background?

- DOE's M&O contracts began during World War II as contracts of the Manhattan Engineer District that were placed with industrial corporations & academic institutions for research, development, and production of atomic weapons.
- After the war, Congress laid out the charter for the newly formed Atomic Energy Commission in the Atomic Energy Act of 1946, which stated:
  - ✓ Federal government would rely on contractors to perform the work;
  - ✓ Government responsible for oversight and direction of work; and
  - ✓ Contractors allowed discretion in carrying out assigned functions.

What Are The Key Features?
Characteristics

- Certain characteristics of DOE's M&O contracts differentiate them from other types of contracts used by the Federal government to acquire supplies and services, including:
  - ✓ Work takes place at large Government-owned or -controlled facilities.
  - ✓ Purpose is the accomplishment of a Governmental mission.
  - ✓ Generally deal with research, development, or special production, which often can be the source of significant liabilities.
  - ✓ Work most often performed at relatively isolated locations around the U.S.
  - ✓ Work is often of a long-term, continuing nature.
  - ✓ Contractors employ large workforces that usually remain intact without regard to whether the incumbent contractor is replaced.

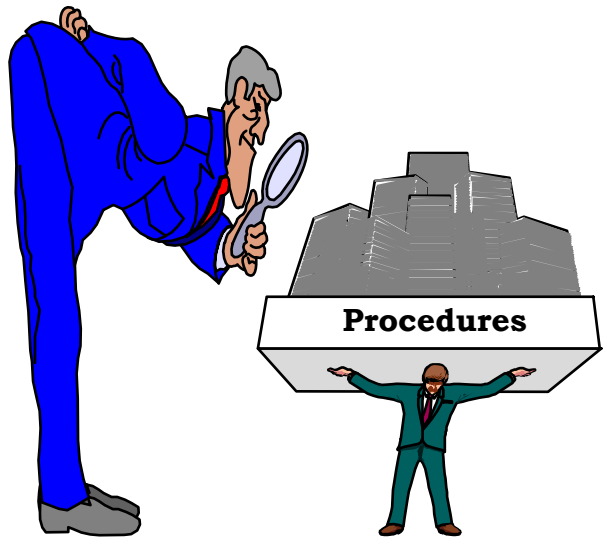
What Are The Key Features?
Characteristics

- ✓ DOE oversees workforce safety and health issues at the facilities.
- ✓ Contractors are provided an annual budget; some exceeding $1 billion.
- ✓ A close working relationship exists between the contractor and the Government.
- ✓ Generally, corporate overhead or general and administrative expenses cannot be charged to the contract.
- ✓ There is a higher degree involvement in cost control than under other Government contractual arrangements.
- ✓ Contractors generally use an integrated accounting system, which mirrors the budgeting system of DOE. The system allows for easy reconciliation in the appropriations process.

What Are The Key Features?
Oversight

- DOE has applied a balanced scorecard management system to its M&O and major facility contractors.

- Emphasis on better business practices as well as compliance with contractor purchasing system mandates.



- DOE, working with its facility contractors, has established a Procurement Evaluation and Reengineering Team (PERT).

  - ✓ The PERT is responsible for promoting procurement process improvements, knowledge management, training, and performance measurement.

  - ✓ The PERT also performs reviews of contractor purchasing systems.

What Are The Key Features?
Safety and Security

- While DOE M&O Contract fee policy ensures that fees are reasonable and commensurate with performance, business, and cost risks,

- All fee in any evaluation period is subject to the contractor meeting performance requirements in two critical areas:

  ✓ environment, safety, and health; and

  ✓ security.

How Have They Evolved?

Competition

- Due to their nature, DOE historically did not routinely compete its management and operating contracts. By regulation, competition was the exception.
- Starting in late 1996, DOE established competition as the norm, following government-wide competition requirements.
  - ✓ Sections 301 of the FY2004 and FY2005 Energy and Water Development Appropriations Act, require the Department to identify and compete contracts.
  - ✓ On January 30, 2004, the Secretary announced that 10 FFRDCs will be competed based on the recommendations of a Blue Ribbon Commission and Congressional direction.
- All M&O contracts are eligible for competition.

Management and Operating (M&O) Contracts

Sponsor	DOE Site/Facility	M&O Contractor
EE	National Renewable Energy Laboratory	Midwest Research Institute & Battelle
EM	Waste Isolation Pilot Plant	Washington TRU Solutions
EM	Savannah River Site (includes Savannah River National Laboratory)	Washington Savannah River Company
FE	Strategic Petroleum Reserve	Dyn McDermott Petroleum Operations Company
NE	Idaho National Laboratory	Battelle Energy Alliance
NNSA	Pantex Plant	BWTX Pantex LLC
NNSA	Y-12 Plant	BWTX Y-12 LLC
NNSA	Kansas City Plant	Honeywell FM&T
NNSA	Lawrence Livermore National Laboratory	Lawrence Livermore National Security LLC
NNSA	Los Alamos National Laboratory	Los Almos National Security LLC
NNSA	Nevada Test Site	National Security Technologies, LLC
NNSA	Sandia National Laboratory	Lockheed Martin - Sandia Corporation

Management and Operating (M&O) Contracts

Sponsor	DOE Site/Facility	M&O Contractor
NNSA/NR	Knolls Atomic Power Laboratory	Knolls Atomic Power Lab
NNSA/NR	Bettis Atomic Power Laboratory	Bechtel Bettis
RW	Civilian Radioactive Waste Repository (Yucca)	Bechtel SAIC Company, LLC
SC	Ames Laboratory	Iowa State University
SC	Argonne National Laboratory	University of Chicago Argonne, LLC
SC	Brookhaven National Laboratory	Brookhaven Science Associates (Battelle)
SC	Fermi National Accelerator Laboratory	Fermi Research Alliance, LLC
SC	Lawrence Berkeley National Laboratory	University of California
SC	Oak Ridge National Laboratory	University of Tennessee – Battelle, LLC
SC	Pacific Northwest National Laboratory	Battelle Memorial Institute
SC	Princeton Plasma Physics Laboratory	Princeton University
SC	Stanford Linear Accelerator Facility	Stanford University
SC	Thomas Jefferson National Accelerator Laboratory	Jefferson Science Associates, LLC